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2023 1Q Results at a Glance

KEY PERFORMANCE

- PUBG PC/Console Revenue: 70% ↑ YoY
- Scale-Up the Creative: 24+ Projects (1)
- Studio Investments: 4 (2) / 12 (3)

KEY FINANCIAL HIGHLIGHTS

- Record High Quarterly Revenue: $538.7bn
- Operating Profit: $283.0bn
- Operating Profit Margin: 53%

Note: (1) Incubating Projects as of May 2023, (2) Studio acquisitions and minority stake investments to be completed from January to May 2023, (3) Post-IPO studio acquisitions and minority stake investments
PC / Console

PUBG PC/Console Recorded the Highest Ever In-game Revenue with Expanded Traffic and New Monetization Content

User Engagement

2023 Live Service Plan

6 Years and 6 Beyond

Monetization

Survivor Pass: The Big Score
Steampunk Bundle
Yourshop
Progressive Skin
Global Partner Team Skin

2Q

3Q

4Q

Scheduled in July
Arcade Center
Map Update
Gunplay Update

Scheduled in 4Q
Tutorial Update
Map Update
New Map

Survivor Pass
Key Monetizations
Map Update
Progressive Skin
Mode Update
Esports
Dev Content/Features

To be Unveiled in 3Q

To be Unveiled in 4Q

Progressive Skin
PGC Pick'em
Solid Mobile Revenue Trend Driven by the Traffic Growth in New Regions and Live Service Content Innovations

"New Diverse Content Tailored to User Engagement Expanded Traffic Inflows in Emerging and Some Key Markets"

New Content Attracting Healthy Traffic

Enhanced Monetization with High-quality Content

5th Anniversary Mode
UGC Mode World of Wonder
Bugatti Collaboration
Progressive Skins

ROYAL PASS
Payload Mode
Gold Level Skins
Bearbrick Collaboration
Scale-Up the Creative

Scale-Up the Future Growth Potential with Transition from a Global Game Company into a Global Publisher

Scale-Up the Creative in 2023

“Project Pipelines + Minority Investments”

“Strengthen Game Development Process and Publishing Capabilities”

1. Healthy Communication between HQ and Creative Studios
   - Virtual Organization for Each Game Project

2. Strengthen Game Development Process
   - More meticulous evaluations, reviews, tests across the entire dev process

3. KRAFTON as a Global Publisher
   - HQ will focus on discovering creatives, development support, and publishing

2024 and Beyond

“Scale-Up Future Growth Potential with High Quality Games”

Minority Investments between Jan ~ May 2023

Note: (1) To be completed in May 2023, (2) Incubating Projects as of May 2023
Beyond Game

Focusing on Enhancing Efficiency in Game Development and Discovering New Gameplay Through AI/Deep Learning

Virtual Game Friend

- Chatbot AI
- Diffusion
- STT / TTS
- Reinforcement Learning

Innovations in Game Development Process

- Project Migaloo

- AI/Deep Learning technology applied to develop core components and content in the open-world

Game Development Efficiency

- Programming, art, personal avatars, 3D modeling, game design

- Virtual Friends just like usual friends who play games together
- Can offer advice and strategic suggestions enabled by RL
- Able to engage in conversations about topics beyond games
## 1Q23 Financials

### Revenue

**KRW 538.7bn (+13.7% QoQ, +3.0% YoY)**

Solid revenue from strong PC revenue and favorable seasonality for mobile, PUBG PC led the growth setting a new record high for quarterly revenue.

### Operating Profit

**KRW 283.0bn (+124.3% QoQ, -10.1% YoY)**

Rose QoQ on sound revenue growth leveraging PUBG IP, increased 12% YoY from 1Q22 OP of 261.7bn when excluding share-based payment expenses.

### Net Profit

**KRW 267.2bn (Turned to Profit QoQ, +9.0% YoY)**

- **Revenue**
  - PC: 106.1bn
  - Mobile: 88.6bn
  - Console: 131.1bn
  - Etc.: 139.1bn
  - Total: 538.7bn

- **Operating Profit**
  - PC: 178.5bn
  - Mobile: 348.2bn
  - Console: 343.8bn
  - Etc.: 254.7bn
  - Total: 178.5bn

- **Net Profit**
  - PC: 165.8bn
  - Mobile: 144.6bn
  - Console: 126.2bn
  - Etc.: 165.4bn
  - Total: 267.2bn

- **Net Profit Margin**
  - PC: 47%
  - Mobile: 46%
  - Console: 52%
  - Etc.: 50%
## Expense Breakdown

### Operating Costs  
**KRW 255.7bn (-26.4% QoQ, +22.9% YoY)**

- **(Personnel) KRW 100.8bn (+59.0% QoQ, -6.9% YoY)**
  
  Declined YoY due to the limited increase in headcount

- **(Paid Commissions) KRW 61.6bn (-40.0% QoQ, +10.3% YoY)**
  
  Declined QoQ on falling expenses related to Esports and outsourcing, Rose YoY on higher server and engine costs

<table>
<thead>
<tr>
<th>KRW bn</th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
<th>1Q23</th>
<th>QoQ</th>
<th>YoY</th>
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<tbody>
<tr>
<td>Operating Costs</td>
<td>208.0</td>
<td>257.7</td>
<td>289.1</td>
<td>347.6</td>
<td>255.7</td>
<td>-26.4%</td>
<td>22.9%</td>
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<tr>
<td>% of Revenue</td>
<td>39.8%</td>
<td>60.8%</td>
<td>66.7%</td>
<td>73.4%</td>
<td>47.5%</td>
<td>-25.9%p</td>
<td>7.7%p</td>
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<td>Personnel</td>
<td>108.3</td>
<td>94.2</td>
<td>98.9</td>
<td>63.4</td>
<td>100.8</td>
<td>59.0%</td>
<td>-6.9%</td>
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<tr>
<td>Platform Fees/Cost of Revenue(1)</td>
<td>51.6</td>
<td>50.1</td>
<td>47.8</td>
<td>57.7</td>
<td>46.7</td>
<td>-19.0%</td>
<td>-9.4%</td>
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<td>Paid Commissions</td>
<td>55.8</td>
<td>81.5</td>
<td>85.2</td>
<td>102.7</td>
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<td>10.3%</td>
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<td>Marketing</td>
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<td>11.3</td>
<td>19.7</td>
<td>81.2</td>
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<td>-70.9%</td>
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<td>(8.4)</td>
<td>7.8</td>
<td>(9.7)</td>
<td>10.0</td>
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<td>n/a</td>
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<td>Others</td>
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<td>29.0</td>
<td>29.7</td>
<td>52.4</td>
<td>31.4</td>
<td>-40.0%</td>
<td>12.3%</td>
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<td>Operating Profit</td>
<td>315.0</td>
<td>165.8</td>
<td>144.6</td>
<td>126.2</td>
<td>283.0</td>
<td>124.3%</td>
<td>-10.1%</td>
</tr>
<tr>
<td>% OP Margin</td>
<td>60.2%</td>
<td>39.2%</td>
<td>33.3%</td>
<td>26.6%</td>
<td>52.5%</td>
<td>25.9%p</td>
<td>-7.7%p</td>
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<tr>
<td>Adj. EBITDA(2)</td>
<td>280.5</td>
<td>177.4</td>
<td>174.5</td>
<td>160.3</td>
<td>319.0</td>
<td>99.0%</td>
<td>13.7%</td>
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<tr>
<td>% Adj. EBITDA Margin</td>
<td>53.6%</td>
<td>41.9%</td>
<td>40.2%</td>
<td>33.8%</td>
<td>59.2%</td>
<td>25.4%p</td>
<td>5.6%p</td>
</tr>
</tbody>
</table>

Note: (1) Platform Fees/Cost of Revenue consist of Steam, market commissions, etc, (2) Adj. EBITDA = EBITDA + Share-based payment expenses
Operating Profit / Adj. EBITDA

Operating Profit

KRW 283.0bn (+124.3% QoQ, -10.1% YoY)

Adj. EBITDA

KRW 319.0bn (+99.0% QoQ, +13.7% YoY)

• Adj. EBITDA increased 14% YoY, with Adj. EBITDA margin of 59%
Net Profit

Profit Before Income Tax: **KRW 362.4bn** (Turned to Profit QoQ, +8.9% YoY)

Net Profit: **KRW 267.2bn** (Turned to Profit QoQ, +9.0% YoY)

- Net profit rose QoQ and YoY on increased non-operating profit impacted by low base from impairment of intangible assets in 4Q22 and FX effects, with net profit margin of 50%

Non-Operating Profit & Profit Before Income Tax

<table>
<thead>
<tr>
<th></th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22 (1)</th>
<th>1Q23</th>
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<tbody>
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<td>Non-operating Profit</td>
<td>17.8</td>
<td>94.5</td>
<td>169.1</td>
<td>(349.1)</td>
<td>79.4</td>
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<td>Non-Operating Income</td>
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<td>108.9</td>
<td>206.1</td>
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<td>6.7</td>
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<td>9.9</td>
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<td>9.9</td>
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<tr>
<td>Non-Operating Expense</td>
<td>25.9</td>
<td>14.4</td>
<td>37.0</td>
<td>308.9</td>
<td>62.4</td>
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<td>Other Expense</td>
<td>24.3</td>
<td>12.8</td>
<td>35.5</td>
<td>306.0</td>
<td>60.5</td>
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<tr>
<td>Finance Expense</td>
<td>1.6</td>
<td>1.6</td>
<td>1.5</td>
<td>2.8</td>
<td>1.9</td>
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<tr>
<td>Profit Before Income Tax</td>
<td>332.7</td>
<td>260.3</td>
<td>313.7</td>
<td>(222.9)</td>
<td>362.4</td>
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</table>

Net Profit

<table>
<thead>
<tr>
<th></th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
<th>1Q23</th>
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</thead>
<tbody>
<tr>
<td>Net Profit</td>
<td>245.2</td>
<td>194.0</td>
<td>226.4</td>
<td>267.2</td>
<td></td>
</tr>
</tbody>
</table>

Note: (1) Impairment loss of Intangible Assets (KRW -149.2bn)
Summary of Financial Statements

## Consolidated Income Statement

<table>
<thead>
<tr>
<th></th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
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<td>433.7</td>
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<td>289.1</td>
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<td>144.6</td>
<td>126.2</td>
<td>283.0</td>
</tr>
<tr>
<td>EBITDA</td>
<td>333.7</td>
<td>185.8</td>
<td>166.7</td>
<td>170.0</td>
<td>309.0</td>
</tr>
<tr>
<td>Adj. EBITDA</td>
<td>280.5</td>
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<td>9.9</td>
<td>9.6</td>
<td>9.9</td>
</tr>
<tr>
<td>Finance Expenses</td>
<td>1.6</td>
<td>1.6</td>
<td>1.5</td>
<td>2.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Profit Before Income Tax</td>
<td>332.7</td>
<td>260.3</td>
<td>313.7</td>
<td>(222.9)</td>
<td>362.4</td>
</tr>
<tr>
<td>Income Tax</td>
<td>84.5</td>
<td>63.0</td>
<td>83.1</td>
<td>(61.9)</td>
<td>95.2</td>
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<tr>
<td>Profit from Discontinued Operations</td>
<td>(3.0)</td>
<td>(3.4)</td>
<td>(4.2)</td>
<td>(4.4)</td>
<td>-</td>
</tr>
<tr>
<td>Net Profit</td>
<td>245.2</td>
<td>194.0</td>
<td>226.4</td>
<td>(165.4)</td>
<td>267.2</td>
</tr>
</tbody>
</table>

Note: (1) Including FVPL (Fair Value through Profit or Loss)

## Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
<th>1Q23</th>
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<tbody>
<tr>
<td>Current Assets</td>
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<td>Cash and Cash Equivalents (1)</td>
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<td>Non-current Assets</td>
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<td>2,117.7</td>
<td>2,321.6</td>
<td>2,145.2</td>
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<td>Total Assets</td>
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<td>5,928.7</td>
<td>6,300.8</td>
<td>6,037.8</td>
<td>6,312.4</td>
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<td>Current Liabilities</td>
<td>529.4</td>
<td>434.7</td>
<td>480.6</td>
<td>411.5</td>
<td>398.6</td>
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<td>Non-current Liabilities</td>
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<td>416.2</td>
<td>418.5</td>
<td>509.9</td>
<td>513.3</td>
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<tr>
<td>Total Liabilities</td>
<td>923.1</td>
<td>850.8</td>
<td>899.1</td>
<td>921.4</td>
<td>911.9</td>
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<tr>
<td>Paid-in Capital</td>
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<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
</tr>
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<td>Capital Surplus</td>
<td>1,474.1</td>
<td>1,475.1</td>
<td>1,475.1</td>
<td>1,448.6</td>
<td>1,467.7</td>
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<tr>
<td>Other Components of Equity</td>
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<td>191.1</td>
<td>288.5</td>
<td>190.1</td>
<td>188.0</td>
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<tr>
<td>Retained Earnings</td>
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<td>3,406.6</td>
<td>3,633.0</td>
<td>3,467.6</td>
<td>3,735.0</td>
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<td>Non-controlling Interests</td>
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<td>0.2</td>
<td>0.2</td>
<td>5.2</td>
<td>4.9</td>
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<td>Total Equity</td>
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<td>5,077.9</td>
<td>5,401.7</td>
<td>5,116.4</td>
<td>5,400.5</td>
</tr>
</tbody>
</table>

Note: (1) Including FVPL (Fair Value through Profit or Loss)
Q&A
Our Vision

**WHY**

We believe **games** will become the world’s **most powerful medium**.

**HOW**

Based on our **creativity**, steadfast dedication toward **new challenges** and **technological development**,

**WHAT**

We will further **expand our original IPs** and build **immersive, virtual worlds** where our fans play together and share fun moments.

**We will meet everyone in the world we are building.**